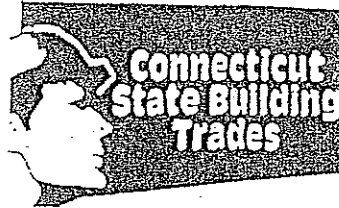


The Connecticut State Building & Construction Trades Council



A.F.L.-C.I.O.

March 10, 2011

Senator Prague, Representative Zalaski, and members of the Labor and Public Employees Committee, good afternoon, my name is Jeremy Zeedyk and I am speaking today on behalf of the President of the Connecticut State Building Trades Dave Roche.

The Connecticut State Building Trades represents nearly 40,000 members as well as hundreds of contractors of various sizes who employ these members. These members are taxpayers, neighbors, and concerned citizens who just want the chance to work in a profession they care deeply about, and provide salaries for their families as well as health benefits, so they may be productive members of our communities.

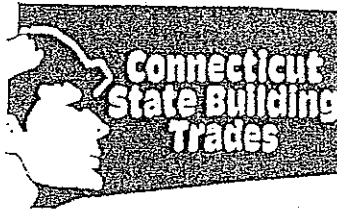
I would like to speak to you today in opposition to Senate Bill #990.

S.B # 990 is not a cost savings to the taxpayers of Connecticut, nor does it remove a perceived burden from municipalities, regardless of size, throughout the state. This proposed legislation is merely a gimmick to give the appearance of reductions in expenditures for construction projects. Many would say that mandating prevailing wages only results in rising costs for the state and its municipalities, or is a dreaded "unfunded mandate". The truth of the matter is that it is far more costly to eliminate prevailing wage laws either through repeal or substantially raising thresholds.

A point of job creation has been raised to support raising prevailing wage thresholds, this could not be more wrong. If S.B #990 becomes law, nearly all 40,000 members of the Connecticut State Building Trades would be in jeopardy of losing their jobs. Hundreds of their contractors would no longer be able to be competitive on any of the state's new construction work valued at \$800,000 or less. Hundreds of proven, quality, DAS prequalified contractors who believe that hard work and dedication to the trade merits good pay, good health benefits, and a chance for a decent retirement when they can no longer efficiently apply their skills.

A little more than a month ago, before this very committee Dr. Peter Phillips Professor of Economics from the University of Utah spoke at great length about the benefits of prevailing wage laws, and the negative effects associated with repealing or relaxing prevailing wage laws. I have attached a summary of the points that Professor Phillips discussed in his testimony. Two of these points point to where a significant savings may

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be found in construction procurement, rather than slashing wages and forcing a race to the bottom mentality that Connecticut's fragile tax revenue structure can scarcely afford.

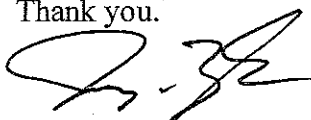
- 1) To achieve a 10% reduction in total construction costs a reduction in workers wages will have to be 33% (\$25 per hour would become \$16.50 per hour)
- 2) Connecticut has seen a 20% reduction in total construction costs since doubling the unemployment rate and not due to reducing prevailing wages due to lessening profit margins of construction companies.

This shows that far greater savings to the customer are available by cutting waste and redundant profitability margins in the procurement of construction contracts rather than by dramatically reducing worker wages. Reevaluating the bidding process alone could save awarding authorities, and ultimately taxpayers, many needless markup's that serve little to no purpose in the efficiency of building projects.

The Connecticut State Building Trades stands ready, willing, and anxious to offer suggestions to this committee or any other body who would be interested in discussing ideas on how to reduce costs in construction.

Arbitrarily raising thresholds which will ultimately slash worker wages and benefits to achieve minimal cost reductions seems a reckless path that will lead to further decline in living standards and tax revenues for all of Connecticut's citizens. Whether workers are able to belong to a union or they simply enjoy the wages and benefits of workers who have banded together to improve their conditions, prevailing wage laws and low thresholds positively impact all workers, families, and communities throughout Connecticut. I urge this committee not to oppose S.B. 990, which will impact so many families and workers and municipalities.

Thank you.



Jeremy Zeedyk

On Behalf on Connecticut State Building Trades' President Dave Roche

**Prevailing wage rate arguments from a testimony given by Dr. Peter Phillips
Professor of Economics from the University of Utah, February 7, 2011.**

Why there are thresholds for prevailing wage laws?

Any regulation comes with inherent paperwork costs. Thresholds are designed to eliminate sufficiently small projects where the costs and burden to regulate outweigh the benefits of the regulation itself.

While some states have no thresholds, most do, and they are much lower than the *current* thresholds in Connecticut.

If the original threshold established in 1961 of \$1000 were adjusted for inflation it would only be approximately \$125,000, far below our current threshold for new construction of \$400,000 and very close to our current threshold of \$100,000 for renovations.

Prospective savings from raising thresholds or eliminating prevailing wage rates.

In Connecticut labor cost as a total of construction cost is only 30%.

Therefore the maximum savings from labor can only be 30% if all workers perform work for free.

To achieve a 10% reduction in total construction costs a reduction in workers wages will have to be 33%. \$25 per hour would become \$16.50 per hour.

To achieve a 25% reduction in total construction costs a reduction in workers wages will have to be 66%. \$25 per hour would become \$8.25 which is minimum wage in CT.

Connecticut has seen a 20% reduction in total construction costs since doubling the unemployment rate and not reducing prevailing wages due to lessening profit margins of construction companies.

A University of Utah study compared states across the country, some with prevailing wage laws, and some without, that study concluded the following:

- No statistical increase in construction costs for areas **with** prevailing wage laws compared to areas without prevailing wage laws. (Approx. 5000 projects compared)
- Virtually no change in cost of construction per square foot in three adjacent states where prevailing wage laws were added, removed, or suspended and reinstated.
- The statistical fluctuation was only 1-2% due to these changes in prevailing wage laws.

In another study by University of Utah several counties in California with similar Union density as Connecticut were compared on approximately 500 projects that bid in the area. Some had prevailing wage laws, and some did not. That study concluded that there was no discernable difference in contractors bidding patterns when they bid on prevailing wage projects compared to non-prevailing wage projects. Also there was no reduction in the number of bidders in prevailing wage projects compared to non-prevailing wage projects. Most contractors bid both types of projects.

Other reasons to have prevailing wage rates/ benefits to the industry.

Construction is 1 of 3 goods producing industries in the United States besides manufacturing and mining.

Unlike the other two, all of the capital in construction is human capital as a result of the skill of the Architects, Engineers, Project Managers and Workers, and construction employs 1 in 10 males in the workforce.

The construction industry sees extreme volatility for example, Connecticut is 6% below peak employment across the state, but construction is 30% below peak employment. The result is often the mass exodus of skilled, experienced workers to find employment outside of the industry.

Prevailing wage laws incentivize companies to run quality apprentice programs to pay for the cost of training the next generation of construction workers.

Only regulations or state funding will put in place these training programs that will replenish skilled workers by providing good pay, health insurance, and pension benefits to retain these workers. The other option is to wipe the slate clean of skilled workers every few years which will lead to serious questions of quality and safety.

Conclusion

Prevailing wage laws lay the foundation for retaining the state's human capital in construction that stand between a world class industry that sets the stage for the rest of what goes on in Connecticut, and a sub-standard construction industry that is incapable of building infrastructure to be able to be globally competitive.

Following Hurricane Katrina in 2005 the Federal Davis-Bacon Law was suspended for 3-4 months. It resulted in very few good paying jobs for local citizens in the area who desperately needed them, but provided the opportunity for many migrant construction workers from all over the country to work for minimum wage. It was only when Davis-Bacon Law was reapplied that the citizens of Louisiana and surrounding areas began to rebuild their communities and their lives.